



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
PIKE COUNTY CLERK**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PIKE COUNTY CLERK

Calendar Year 2000

The Pike County Clerk's 2000 fee audit revealed no reportable internal control or compliance issues. The Clerk's office generated receipts of \$14,251,610 from operations during the year. The Clerk distributed the appropriate amount of taxes, licenses, and fees to taxing districts. In addition, the Clerk's office generated \$305,778 of fees that were distributed to the Pike County Fiscal Court.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Karen F. Gibson, County Judge/Executive
Honorable Lillian P. Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Clerk of Pike County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2000. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Clerk and the receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flannery, Secretary
Finance and Administration Cabinet
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In accordance with Government Auditing Standards, we have also issued a report dated June 27, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 27, 200

PIKE COUNTY
LILLIAN P. ELLIOTT, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 2000

Receipts

State Receipts:

Libraries and Archives Grant	\$ 22,630	
State Fees For Services	<u>30,235</u>	\$ 52,865

Fiscal Court		253,953
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 1,794,302
Usage Tax	5,885,834
Tangible Personal Property Tax	4,128,931

Licenses-

Fish and Game	23,297
Marriage	24,310
Occupational	4,870
Deed Transfer Tax	62,746

Delinquent Taxes	<u>1,606,707</u>	13,530,997
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$ 36,931
Real Estate Mortgages	53,499
Chattel Mortgages and Financing Statements	165,163
Deed of Release	18,010
Releases	1,120
Leases	11,174
Articles of Incorporation	1,766
Affidavits of Descent	2,183
Wills	3,953
Notary Bonds	3,893
Material Leins	6,864

Charges for Other Services-

Candidate Filing Fees	1,730	
Copywork	<u>46,795</u>	353,081

Other-

Postage	\$ 21,753
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PIKE COUNTY
 LILLIAN P. ELLIOTT, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 2000
 (Continued)

Receipts (Continued)

Other (Continued)

Bail Bonds	\$	1,330	
Micellaneous		<u>47,824</u>	\$ 70,907
Interest Earned			<u>12,437</u>
Total Receipts			\$ 14,274,240

Disbursements

Payments To State:

Motor Vehicle-

Licenses and Transfers	\$	1,410,453
Usage Tax		5,698,330
Tangible Personal Property Tax		1,492,890

Licenses-

Fish and Game		23,130
Delinquent Tax		211,177
Legal Process Tax		55,205
Candidate Filing Fees		<u>1,050</u>
	\$	8,892,235

Payments To Fiscal Court:

Tangible Personal Property Tax	\$	431,359
Delinquent Tax		179,803
Deed Transfer Tax		59,797
Occupational Licenses		3,972
Solid Waste		<u>65,687</u>
		740,618

Payments To Other Districts:

Tangible Personal Property Tax	\$	2,023,078
Delinquent Tax		<u>714,937</u>
		2,738,015

Payments to Sheriff 38,813

Payments to County Attorney 257,736

PIKE COUNTY
 LILLIAN P. ELLIOTT, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 2000
 (Continued)

Disbursements (Continued)

Other:

Fees & Commissions		
Tangible Personal Property Tax Refunds	\$	15,245
License Fee Refunds		3,200
Libraries and Archives Grant Expenditures		22,630
Usage Tax Refunds		7,696
Unhonored Checks		2,993
Employee Training		5,661
Transportation Refund		8,846
		<u>66,271</u>

Total Disbursements		<u>\$ 12,733,688</u>
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Net Receipts		\$ 1,540,552
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Payments to State Treasurer:

75% Operating Fund	\$	1,234,774	*
25% County Fund		<u>305,778</u>	<u>1,540,552</u>

Balance Due at Completion of Audit		<u><u>\$ 0</u></u>
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* Includes reimbursed expenses in the amount of \$87,439 and fiscal court contributions in the amount of \$230,000.

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
LILLIAN P. ELLIOTT, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND
WITH THE STATE TREASURER

Calendar Year 2000

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2000	\$ 14,547	\$	\$ 14,547
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,234,774		1,234,774
Fees Paid to State - County Funds (25%)		305,778	305,778
Total Funds Available	\$ 1,249,321	\$ 305,778	\$ 1,555,099
<u>Disbursements</u>			
Payments to Pike County Fiscal Court	\$	\$ 305,778	\$ 305,778
Personnel Services-			
Clerk's Statutory Maximum	76,250		76,250
Clerk's Expense Allowance	3,600		3,600
Deputies Salaries	636,104		636,104
Employee Benefits-			
Employer's Share Social Security	52,241		52,241
Employer's Share Retirement	47,729		47,729
Contracted Services-			
Advertising	743		743
Supplies and Materials-			
Office Supplies	46,824		46,824
Other Charges-			
Bonds	284		284
Books and Journals	687		687
Cleaning Supplies	480		480
Computer Equipment	9,379		9,379
Computer Service	1,900		1,900
Computer Supplies	294		294
Dues	6,605		6,605

PIKE COUNTY
 LILLIAN P. ELLIOTT, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
 OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND
 WITH THE STATE TREASURER
 Calendar Year 2000
 (Continued)

Disbursements (Continued)

Equipment Maintenance	\$ 5,124	\$	\$ 5,124
Furniture	27,746		27,746
Insurance	197,222		197,222
Miscellaneous	5,833		5,833
Postage	13,968		13,968
Repairs	1,388		1,388
Tax Bill Preparation	9,578		9,578
Telephone	1,370		1,370
Auto Expenses-			
Gasoline	477		477
Maintenance and Repairs	215		215
Capital Outlay-			
Office Equipment	923		923
Total Disbursements	<u>\$ 1,146,964</u>	<u>\$ 305,778</u>	<u>\$ 1,452,742</u>
Fund Balance - December 31, 2000	<u>\$ 102,357</u>	<u>\$ 0</u>	<u>\$ 102,357</u>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
LILLIAN P. ELLIOTT, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000

The Attorney General issued a letter, which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000 the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bonds which named the County Clerk as beneficiary/obligee on the bonds.

Note 4. Grants

The County Clerk received a local records microfilming grant from the Kentucky Department of Libraries and Archives in the amount of \$43,202 during the 1996 calendar year. The Clerk had a balance of \$1,699 on January 1, 2000, and the account earned \$33 of interest during the year. The unexpended grant balance is \$1,732 as of December 31, 2000

The County Clerk received a second local records microfilming grant from the Kentucky Department of Libraries and Archives in the amount of \$22,570 during the 1999 calendar year. The Clerk had a balance of \$22,848 on January 1, 2000, and the account earned \$245 of interest during the year. Funds totaling \$22,630 were expended during calendar year 2000. The unexpended grant balance is \$463 as of December 31, 2000

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
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Members of the Pike County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Pike County Clerk as of December 31, 2000, and have issued our report thereon dated June 27, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pike County Clerk's financial statements as of December 31, 2000, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett, Jr.", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 27, 2001

